

Message Text

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AMEMBASSY BRASILIA

AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 4 GENEVA 0396

E.O. 11652: GDS

TAGS: GATT, ETRD

SUBJ: STATUS OF THE GATT

SUMMARY. GATT IS THE UNDERPINNING OF MUCH OF WORLD TRADE. DESPITE A NUMBER OF STRAINS AND SHORTCOMINGS, IT IS VERY MUCH A VIABLE ORGANIZATION, AND GATT-CONSISTENCY OF TRADE ACTIONS IS A MATTER TO BE TAKEN SERIOUSLY. HOWEVER, THERE ARE MAJOR NEW THREATS TO THE GATT, SOME ORIGINATING WITHIN THE U.S. AS WELL AS ELSEWHERE, WHICH MUST SOON BE MET. OVERALL, THE U.S. SHOULD RESIST PRESSURES TO CARTELLIZE TRADE AND TO DIVERGE FROM MARKET CONCEPTS AROUND WHICH THE GATT WAS CONCEIVED. END SUMMARY.

1. UNDERSTANDING OF THE CURRENT STATUS OF THE GATT IS AN INDISPENSABLE POINT OF REFERENCE FOR INTERNATIONAL ECONOMIC POLICY DECISIONS BECAUSE A) GATT HAS BEEN THE MAJOR LOCUS OF WESTERN TRADE POLICY IN THE POSTWAR ERA, B) THERE IS A MAJOR MTN EFFORT UNDER WAY PARALLEL TO ONGOING GATT ACTIVITIES, AND C) PRESSURE GROWS, PARTICULAR-
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ARLY FROM LDC'S, FOR CHANGE IN THE STRUCTURE OF INTERNATIONAL TRADE.

2. EVALUATION OF RECENT PERFORMANCE.

A. SUCCESSES AND BRIGHT SPOTS.

(1) GATT, WITH ITS CONTRACTUAL ARRANGEMENTS, FRAMEWORK OF RULES, AND CONSULTATIVE FUNCTION, IS THE UNDERPINNING OF MUCH OF WORLD TRADE. IT CAN LEGITIMATELY CLAIM CREDIT FOR FACILITATING THE MULTIPLICATION OF WORLD TRADE MANY TIMES OVER IN THE POSTWAR ERA. POSSESSING THE ABOVE FEATURES AND WITH THE MTN, GATT CAN, ALONG WITH THE OECD, ALSO LEGITIMATELY BE CREDITED WITH THE FACT THAT WORLD TRADE HAS THUS FAR SURVIVED THE POST-OIL EMBARGO SHOCKS WITHOUT MAJOR RESORT TO NEW IMPORT RESTRICTIONS.

(2) THE MTN HAS ATTRACTED MAJOR PARTICIPATION AND THE IMPORTANCE OF ITS SUCCESS HAS RECEIVED HIGH-LEVEL ATTENTION. (MISSION WOULD NOT ATTEMPT TO DUPLICATE MTN DEL'S OWN GOOD ANALYSES OF STATUS OF MTN, BUT IT IS A FACT THAT MTN IS VIEWED WORLD-WISE AS A MAJOR UNDERTAKING.)

(3) THE UNIVERSALLY SENSITIVE TEXTILES SECTOR HAS, UNDER THE MFA, BEEN KEPT REASONABLY QUIESCENT UP TO NOW.

(4) DESPITE WELL-KNOWN DISPUTES, MAJOR COUNTRIES ARE STILL SERIOUSLY CONCERNED OVER THE GATT CONSISTENCY OF THEIR OWN, AND OTHERS', TRADE ACTIONS. SOME EXAMPLES: THE EC DID GOOD WORK IN DRAGGING ITALY INTO A GATT EXAMINATION OF THE TRADE IMPACT OF ITS RECENT "MONETARY" RESTRICTIONS AND IS PRESSING MEMBER STATES TO PHASE OUT EXPORT INFLATION INSURANCE SCHEMES. AUSTRALIA, WHILE ENACTING A BARRAGE OF RESTRICTIONS IN RECENT YEARS, HAS BEEN CAREFUL TO TREAD AROUND THE FEW GATT BINDINGS THEY HAVE AND TO DEVISE INTRICATE GATT RATIONALIZATIONS, SOME CONFIDENTIAL

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HEROIC, FOR THE TARIFF QUOTAS AND OTHER DEVICES THEY HAVE USED. BRAZIL AND EVEN INDIA HAVE SUPPORTED IN THE GATT COUNCIL, WHEN PRESSED BY US, THE PRINCIPLE OF GIVING SOME RECIPROCITY IN ARTICLE XXVIII NEGOTIATIONS. A RESPONSIBLE CHARGE OF GATT-INCONSISTENCY IS SOMETHING WHICH CANNOT BE IGNORED.

(5) ALTHOUGH THE PRESSURES HAVE GROWN, BLATANT LDC VOTING RAMPAGES AND THIRD-WORLD RHETORIC HAVE BY AND LARGE BEEN CONTAINED, ESPECIALLY AS COMPARED WITH OTHER ORGANIZATIONS. THE TRADITION OF CONSENSUS STILL ALLOWS A UNIQUE AIR OF PRAGMATISM TO PERMEATE GATT OPERATIONS.

(6) AFTER YEARS OF CRITICIZING THE U.S. FOR OUR LARGELY LEGITIMATE RECOURSE TO ANTIDUMPING PROCEDURES, THE EC--WITNESS THE UK--HAS BEGUN TO DISCOVER THE DEVISE FOR THEMSELVES. THIS TENDS TO SHIFT EMPHASIS AWAY FROM SOME ILLEGAL RESTRICTIONS. ALSO, IRRESPECTIVE OF CON-

SIDERATIONS OF INJURY AND PROCEDURE, THE RECENT OUT-COME OF THE VAST AUTO CASE IN THE U.S. HAS HAD SOME USEFUL EFFECTS. THE MATTER WAS HANDLED WITHOUT TRIGGERING A TRADE WAR, AND CP'S HAVE COME TO REALIZE THAT THERE WAS INDEED SOME DUMPING AND THAT U.S. PROCEDURES WERE NOT JUST USED AS A GUISE FOR PROTECTIONISM.

(7) GATT MEMBERSHIP HAS GROWN, PERHAPS DUE TO PROSPECT OF MTN BENEFITS. IN RECENT YEARS COLOMBIA, EGYPT, SINGAPORE, AND THE PHILIPPINES HAVE ACCEDED, EITHER PROVISIONALLY OR FULLY. NO COUNTRY OF CONSEQUENCE HAS EITHER WITHDRAWN OR BECOME ABSENT.

(8) THE GATT (EXCLUSIVE OF COURSE OF MTN ACTIVITIES) CONTINUES TO EXPAND INTO EXAMINATION OF NEW PROBLEMS: FOR EXAMPLE, IT HAS ESTABLISHED THE EXPORT INFLATION INSURANCE WORKING PARTY AND THE G-18, WHICH ASSEMBLES

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HIGH OFFICIALS TO DISCUSS EMERGING PROBLEMS, INCLUDING SOME WHICH ARE BEING MOVED INTO THE MTN.

B. EXCLUSIONS. GATT DOESN'T COVER COMMODITY AGREEMENTS OR INVESTMENT AND MAKES ONLY MODERATE REFERENCE TO EXPORT RESTRICTIONS, FOR EXAMPLE IN ARTICLES I:1 AND XI:1. THUS, IT DOESN'T REALLY GET INTO SUPPLY ACCESS. MEMBERSHIP EXCLUDES USSR, CHINA, SEVERAL MAJOR OPEC COUNTRIES. (WE DO NOT NECESSARILY CLASSIFY THESE EXCLUSIONS AS SHORTCOMINGS OR EVEN OMISSIONS, GIVEN THE MARKET-ORIENTED PURPOSES OF THE GATT.)

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C O N F I D E N T I A L SECTION 2 OF 4 GENEVA 0396

C. STRAINS AND SHORTCOMINGS. WHILE THE AGREEMENT
THUS HAS VAST ACHIEVEMENTS TO ITS CREDIT, AND OBJECTIVE
ASSESSMENT MUST NOTE THAT THERE ARE SOME SERIOUS DIFFI-
CULTIES TOO.

(1) PREFERENTIAL TRADING ARRANGEMENTS. REGIONAL
GROUPINGS HAVE PROLIFERATED TO AN EXTENT APPARENTLY
NOT ANTICIPATED BY THE DRAFTERS OF THE GATT. EVEN IF
THESE AGREEMENTS FULLY MET GATT REQUIREMENTS, ARTICLE
XXIV WAS WRITTEN WHEN PREVAILING ECONOMIC THEORY VIEWED
FREE-TRADE AREAS AS A NET WORLD GAIN. MORE RECENT
THOUGHT, FROM THE THEORY OF THE SECOND BEST FORWARD,
IS LESS CONVINCED OF THIS. FURTHERMORE, REALLY LARGE
FTA'S DO NOT APPEAR TO HAVE BEEN IN THE MINDS OF THE
DRAFTERS. THIS TREND COULD DEVELOP INTO AN EVEN MORE
SERIOUS THREAT TO OPEN TRADE AND UNDERLINES THE IMPOR-
TANCE OF MFN LIBERALIZATION IN THE MTN TO REDUCE THE
EFFECTS OF DISCRIMINATION.

(2) NEGLECT OF PROBLEMS IN THE AGRICULTURAL SECTOR.
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WE WILL NOT OFFER A VIEW ON THE MANIFOLD REASONS, SOCIO-
LOGICAL OR OTHERWISE, FOR THESE PROBLEMS. IT IS
SUFFICIENT TO SAY THAT THERE ARE DIFFERENCES: GATT RULES
ARE OFTEN BREACHED; SOME CONTEND THE GATT NEVER SATIS-
FACTORILY ADDRESSED AGRICULTURE; VARIABLE LEVIES HAVE
NOT BEEN TESTED AS TO GATT CONFORMITY; AND SOME
COUNTRIES' PROTOCOLS OF ACCESSION ALLOW PERMANENT EXEMP-
TION FROM THE RULES IN THE AGRICULTURAL AREA. THE U.S.,
WHILE LESS RESTRICTIVE IN RECENT YEARS THAN OTHERS,
MAINTAINS BARRIERS ON SUGAR, MEAT, DAIRY PRODUCTS AND
VEGETABLES. BY NOT RENOUNCING THE SECTION 22 WAIVER, THE
U.S. CARRIES LITTLE MORAL PERSUASION IN EXHORTING OTHERS
TO BE MORE LIBERAL.

(3) LDC DIFFICULTIES. INCREASINGLY, LDC' HAVE RELIED
ON PART IV AND THIRD-WORLD RHETORIC RATHER THAN FOCUS ON
THE DIFFERENTIAL RIGHTS ALREADY WRITTEN INTO THE GATT,
SUCH AS ADDENDUM TO ART. XXVIII:5 AND MOST OF ART. XVIII.
BEING POLITICALLY VOLATILE, SOME LDC'S DO NOT FEEL CON-

STRAINED BY OBLIGATIONS SIGNED BY PREVIOUS POLITICAL REGIMES, AND SOME THEREFORE HAVE DIFFICULTY DETERMINING WHAT THEIR SCHEDULES OF TARIFF BINDINGS ARE. ON THE BRIGHT SIDE, A NUMBER OF LDC'S ARE CAREFUL TO LEGALIZE SOME OF THEIR ACTIONS, AND TOO THE GATT HAS HAD A ROLE IN MFN APPLICATION OF LDC RESTRICTIONS OUTSIDE REGIONAL ARRANGEMENTS. HOWEVER, LDC'S AS WEALTHY AS BRAZIL AND NIGERIA MAINTAIN SOME OUTRIGHT IMPORT PROHIBITIONS. THE LDC'S, BEING NUMERICALLY SUPERIOR, COULD RELY ON AN AVALANCHE OF VOTES TO GET THEIR WAY, BUT THE GATT CONSENSUS TRADITION HAS ON OCCASION MOTIVATED THE POTENTIAL LOSERS TO EVALUATE THEIR CHANCES IN ADVANCE AND AVOID A VOTE SHOW-DOWN.

(4) WAIVERS. THE USE OF WAIVERS, WHILE BY NO MEANS OUT OF HAND, HAS INTRODUCED STRAINS. LDC'S SUCH AS INDONESIA, INDIA, BRAZIL HAVE WAIVERS TO CONTINUE IM-
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PAIRMENT WITHOUT YET NEGOTIATING PAYMENT. THE ANCIENT U.S. AGRICULTURAL SECTION 22 WAIVER IS GENERALLY BADLY RECEIVED, HINTING OF 'YOU-COMPLY-WE-DON'T' TO OTHERS.

(5) ILLEGAL OR HIDDEN NTB'S AND SUBSIDIES. THESE ARE WELL KNOWN, SO WE WON'T ATTEMPT DETAIL THEM. DESPITE EFFEC- TIVE WORK IN DETERRING SOME NTB'S AND SUBSIDIES, THE GATT, OF COURSE, HAS MISSED SOME. SAMPLES: SOUTH AFRICA, NEW ZEALAND, PERU, JAPAN, ICELAND, OTHERS HAVE QR'S WITHOUT COVER OF BALANCE-OF-PAYMENTS OR OTHER JUSTIFI- CATION. U.S. BEEF QUOTAS IN 1976 WERE WITHOUT GATT COVER. EUROPEAN AND U.S. "VOLUNTARY" IMPORT RESTRAINTS STRAIN GATT CREDIBILITY. FRANCE AND OTHERS HAD EXPORT INFLATION INSURANCE PROGRAMS FOR YEARS, UNNOTICED UNTIL THE UK CALLED ATTENTION TO THEM BY FOLLOWING THE EXAMPLE. NEW ZEALAND AND BRAZIL HAVE RECENTLY BEEN FOUND TO PRACTICE SOME DISCRIMINATORY IMPORT LICENSING, ETC.

(6) BALANCE-OF-PAYMENTS EXAMINATION LIMITATIONS. THE PROCEDURE HAS KEPT PRESSURE ON THOSE COUNTRIES USING BOP MEASURES, AND THE EXAMINATION IS SUFFICIENTLY BURDEN- SOME TO CAUSE SOME COUNTRIES TO RESIST EXAMINATION. YET THERE ARE DEFICIENCIES: EXAMINATIONS ARE PRO FORMA; GATT'S ROLE IS LIMITED BY THE ROLE OF THE IMF; MOSTLY ON- LY LDC'S GET EXAMINED. SOME COUNTRIES, SUCH AS CANADA, SHARE OUR CONCERNS. OTHERS RESIST IMPROVEMENTS: JAPAN IS INCREASINGLY RELUCTANT TO IRRITATE LDC'S, AND THE EC IS AFRAID SOME MEMBER STATES MIGHT FALL VICTIM TO TIGHT- ENED PROCEDURES, SHOULD THEY HAVE TO INVOKE RESTRICTIONS.

(7) SOME UNRESOLVED BASIC CONFLICTS. EXAMPLES:

THE ROLE OF THE PROHIBITIVE TARIFF QUOTA, A DE FACTO QR,
IS NOT SPECIFICALLY ADDRESSED, NOR ARE PRIOR DEPOSITS AND
BOP SURCHARGES. HOWEVER, THE COUNCIL DOES DEAL WITH THE
LATTER AD HOC. THERE IS AS YET NO DIRECT TREATMENT OF
WHETHER QR'S CAN BE APPLIED IN SUPPORT OF FREE-TRADE
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AREAS AND CUSTOMS UNIONS.

(8) SUBSIDIES AND COUNTERVAILING DUTIES. IT SEEMS
CLEAR THAT GATT HAS LIMITED THE EXTENT OF RECOURSE TO
EXPORT SUBSIDIES. HOWEVER, THE FIELD CONTINUES TO BE
A SOURCE OF DIFFICULTY, AS EVIDENCE BY THE FACT THAT THIS
IS ONE OF THE KEY INTRACTABLE ISSUES IN THE MTN. STATUS
OF REGIONAL AIDS, HOW TO HANDLE LDC'S, AND THE ROLE OF IN-
JURY FOR COUNTRIES HAVING GRANDFATHER-CLAUSE LEGISLATION
ARE MAJOR POINTS OF CONTENTION.

(9) HOLD-OVER LANGUAGE. THE BASIC INSTRUMENT CON-
TAINS, FOR EXAMPLE, LANGUAGE LEFT OVER FROM THE DATS
WHEN FOREIGN EXCHANGE CONVERTIBILITY WAS A CENTRAL ISSUE,
THUS LENDING SOME ARTICLES AN IAR OF THE PAST.

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(10) STATE-TRADING COUNTRIES. NO WAY HAS BEEN FOUND TO IMPOSE MEANINGFUL OBLIGATIONS ON THE EAST EUROPEAN MEMBERS, AND WE ARE STUCK WITH THE RHETORICAL QUESTION OF HOW CENTRALLY PLANNED ECONOMIES CAN BE COMPATIBLE WITH THE MARKET-ORIENTED OBJECTIVES OF THE GATT.

D. BRIEF COMMENTS ON SOME ARTICLES NOT COVERED OR CLASSIFIABLE ABOVE.

(1) ARTICLE XXVIII. THE U.S. HAS BEEN GETTING SATISFACTORY COMPENSATION FROM DEVELOPED COUNTRIES, LESS FROM LDC'S.

(2) ARTICLE XIX. A NUMBER OF COUNTRIES HAVE REFRAINED FROM INVOLVING IT WHEN IMPOSING RESTRICTIONS FOR ESCAPE-CLAUSE REASONS. EXAMPLES: SWEDEN PROTECTED THE FOOTWEAR INDUSTRY, AND SAID IT WAS FOR NATIONAL SECURITY REASONS, BUT DIDN'T INVOKE THE NECESSARY ARTICLE XXI. THE EC AND U.S. HAVE LIMITED MEAT IMPORTS WITHOUT INVOKING ANYTHING.

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(3) ARTICLE XXIII. RECOURSE TO THIS ARTICLE HAS INCREASED RECENTLY, ALTHOUGH FORMATION OF PANELS TO EXAMINE DISPUTES IS STILL A COMPLICATED PROCESS. SMALL COUNTRIES STILL SAY RETALIATION IS MEANINGLESS FOR THEM AND THUS TEND TO AVOID USE OF THIS ARTICLE: HOW DOES NEW ZEALAND OR SINGAPORE RETALIATE AGAINST JAPAN?

E. THE SECRETARIAT. QUALITY OF PERSONNEL, WHILE UNEVEN, IS GOOD BY GENEVA INTERNATIONAL ORGANIZATION STANDARDS BUT NOT UP TO, SAY, IMF QUALITY. ROLE OF SECRETARIAT IS PASSIVE: BASICALLY IT ONLY SERVICES THE NEEDS OF THE AGREEMENT AND IS EXPECTED BY MOST CONTRACTING PARTIES TO REFRAIN FROM TAKING INITIATIVES AND FROM MAKING POLICY RECOMMENDATIONS. THE DG, WHOSE TERM HAS JUST BEEN EXTENDED FOR THREE YEARS, PROVIDES MINIMUM LEADERSHIP. NUMERICALLY, THE SECRETARIAT IS SMALL AND HAS GROWN LITTLE: PERMANENT EMPLOYMENT, INCLUDING ALL MESSENGERS AND CLERKS, IS 199. NEW PERMANENT QUARTERS, THE ORGANIZATION'S FIRST, WILL BE FULLY OCCUPIED BY FALL.

3. UPCOMING CHALLENGES. AS OFTEN SEEMS TO BE THE CASE, THERE ARE SERIOUS CHALLENGES TO THE GATT, SOME OF WHICH MUST BE ADDRESSED VERY SOON.

A. U.S. COURT CASES ON EUROPEAN AND JAPANESE TAX REBATES. WE WILL NOT ATTEMPT HERE TO RECAPITULATE THEM BUT UN-

FAVORABLE DECISION ON EITHER WOULD POSE SERIOUS CHALLENGE TO GATT AS NOW WRITTEN, I.E., ADDENDUM TO ARTICLE XVI ON EXEMPTION OF TAXES BORNE BY LIKE PRODUCT WHEN DESTINED FOR DOMESTIC CONSUMPTION OR REMISSION OF ACCRUED TAXES.

B. IN TEXTILES, MFA RENEWAL IS NOW UNDER DISCUSSION. UNLEASHING OF TEXTILES MONSTER FROM MFA CAGE WOULD BE A DICEY BUSINESS.

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C. UPCOMING U.S. ESCAPE-CLAUSE DECISIONS ON FOOTWEAR AND TELEVISION SETS, PARTICULARLY GIVEN THEIR SCOPE, HAVE THE POTENTIAL TO PROVOKE SIGNIFICANT RETALIATION AGAINST U.S. EXPORTS (POSSIBLY VIA ARTICLES XIX:3 OR XXIII:2), WHICH WOULD DAMAGE THE WORLD TRADE CLIMATE.

D. STATE OF WORLD ECONOMY. CONTINUING SLOW RECOVERY IN THE WEST, PERSISTENT BOP DEFICITS, AND CONSEQUENCES OF OIL PRICES, WILL KEEP US HOPPING TO RESIST FURTHER IMPORT RESTRICTIONS BY GATT COUNTRIES.

E. DISC AND RELATED TAX PRACTICES. WITH THESE NOW CERTIFIED ILLEGAL, THE ISSUES RAISED WILL HAVE TO BE ADDRESSED. THERE IS RISK OF RETALIATION AND OF OTHERS' USING MAINTENANCE OF THESE SUBSIDIES AS EXCUSE TO DO GATT-ILLEGAL THINGS OF THEIR OWN.

F. PRESSURE TO ESTABLISH A UN INTERNATIONAL TRADE ORGANIZATION. TO DO SO WOULD OVERTAKE THE GATT AND POLITICIZE FURTHER WORLD TRADE ISSUES. THE AIR OF NEGOTIATING PRAGMATISM WOULD DISAPPEAR. ALSO, INCLUSION OF USSR AND CHINA WOULD UNDERMINE EFFORTS TO HAVE MEANINGFUL ENFORCEMENT OF TRADE RULES.

G. CHANGES IN CANADA. CANADA HAS BEEN, ALBEIT WITH SOME HYPOCRISIES, A STRONG VOICE IN SUPPORT OF GATT DISCIPLINES. HOWEVER, QUEBEC ELECTION DEVELOPMENTS HAVE ALREADY HAD DIRECT IMPACT IN FORM OF ARTICLE XIX APPAREL ACTION AT EXPENSE OF MFA, AND WE HOPE THIS DOES NOT PRESENT A PLACATE-QUEBEC-AT-ANY-COST DILUTION OF THE CANADIAN GATT VOICE.

H. DETERIORATING ROLE OF EC. COMMUNITY PRESENCE IN THE GATT HAS BASICALLY BEEN A NEGATIVE ONE RECENTLY: DEFEND PREFERENTIAL AGREEMENTS, RESTRICT AGRICULTURE, AND WITNESS HOW THEY TURN INWARD. IRRELEVANCE OF EC TO GLOBAL (AND U.S.)

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GATT OBJECTIVES IS CHARACTERIZED BY THEIR STANCE ON QUESTION OF STRENGTHENING BOP PROCEDURES WHICH SEEMS TO BE "DON'T DO IT, ONE OF US MIGHT GET HURT". THE ONCE-USEFUL UK GATT VOICE HAS BEEN SUBSUMED INTO EC MURK AND FRG NEVER SEEMS TO SOAR ABOVE FRENCH LOWEST COMMON DENOMINATOR. GREATEST GATT VICTORIES ON EC FRONT TEND TO BE IN REALM OF WHAT THEY DON'T DO--OR HAVEN'T YET DONE: THEY DIDN'T SIGN PREFERENTIAL AGREEMENT WITH IRAN, DIDN'T ENACT SOYBEAN TAX, AND DIDN'T REQUIRE REVERSE PREFERENCES FROM ACP.

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C O N F I D E N T I A L SECTION 4 OF 4 GENEVA 0396

I. PROTECTIONIST ASPECTS OF U.S. TRADE ACT. WITH-
OUT VENTURING INTO SPECIFIC PROVISIONS, AND MAKING NO AT-
TEMPT TO EVALUATE REALITIES ON CAPITOL HILL, THE VIEW FROM
HERE IS THAT SOME PROVISIONS OF THE ACT AS NOW WRITTEN
INCITE U.S. INDUSTRIES TO SEEK PROTECTION. WHILE EXECU-
TIVE BRANCH EXERCISE OF DISCRETION HAS TO DATE BEEN GOOD,
WE WONDER WHETHER U.S. CAN WITHSTAND THE SIEGE OVER THE
LONG-RUN AND AVOID GETTING BOXED INTO A PROLIFERATION OF
PROTECTIONIST AND MARKET-SHARING ARRANGEMENTS WITHOUT SOME
AMENDMENT OF THE ACT. THE FACT THAT THE ACT PROVIDES THE POSSI-
BILITY OF U.S. TRADE RESTRICTIVE MEASURES INCONSISTENT
WITH GATT TENDS TO UNDERMINE THE ORGANIZATION.

4. OVERALL COMMENTS AND POLICY RECOMMENDATIONS. IN SUM, DESPITE SHORTCOMINGS, THE GATT IS VIABLE AND PLAYS A CRUCIAL ROLE IN WORLD TRADE. WE OFFER SOME BRIEF OVERALL COMMENTS AND SOME RECOMMENDATIONS ON WHERE THE U.S. SHOULD AND SHOULD NOT GO FROM THIS JUNCTURE.

A. EXISTENCE OF MTN SEEMS TO BE A MAJOR FACTOR FOR THE
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PRESENT IN KEEPING GATT GOING AS A CENTRAL FORUM. HOWEVER, THERE IS GROWING DISSATISFACTION WITH SLOW PROGRESS, AND DISILLUSIONMENT WILL DEEPEN UNLESS NEGOTIATIONS REALLY START MOVING EARLY IN 1977.

B. THERE IS MUCH PRESSURE FROM WESTERN EUROPE, LDC'S, AND FROM SOME FACTIONS IN THE UNITED STATES, TO EVOLVE TRADE ARRANGEMENTS WHICH WOULD INCREASINGLY CARTELIZE IMPORT AND EXPORT TRADE IN BASIC MATERIALS AND IN VARIOUS MANUFACTURED PRODUCT SECTORS INTO SPECIAL SHARING ARRANGEMENTS (BEYOND THE TEXTILES ARRANGEMENT MENTIONED ABOVE, WHICH WE BELIEVE IS NECESSARY). THIS SHOULD BE RESISTED, DOMESTICALLY AND INTERNATIONALLY, INCLUDING IN THE GATT. THE U.S. IS NOT EQUIPPED CULTURALLY, PHILOSOPHICALLY, OR ORGANIZATIONALLY TO STAND IN WITH DIRIGISTE BIG-LEAGUERS SUCH AS JAPAN, FRANCE, EASTERN EUROPE, AND WE WOULD NOT PROSPER IN SUCH AN ENVIRONMENT. INDEED, IN TERMS OF THE BUSINESS-GOVERNMENT COLLUSION REQUIRED FOR SUCH A POLICY, THE WINDS WITHIN THE U.S. ARE BLOWING THE OTHER WAY. WE WOULD FARE BETTER BY TRYING TO CONTROL THESE PRESSURES WITH PRAGMATIC ADJUSTMENTS RATHER THAN BY REWRITING THE RULES TO ACCOMMODATE OTHER COUNTRIES' ADVANTAGES. ANOTHER REASON THE U.S. SHOULD RESIST PRESSURE TO PUT SIDEWALKS WHERE THESE PEOPLE ARE WALKING IS THAT THE PATH TOWARD FENCING-IN WORLD TRADE LEADS, AS IT DID IN THE 1930'S, OVER A CLIFF.

C. DESPITE A REAL WORLD OF OFTEN HIGHLY IMPERFECT MARKET CONDITIONS AND CHANGING POLITICAL CURRENTS, SOME MATURE ECONOMIC PRINCIPLES AROUND WHICH THE GATT WAS CONCEIVED ARE STILL AS VALID AS THEY WERE WHEN PUBLISHED IN 1776. THE U.S. MUST CONTINUE TO RECOGNIZE THAT ECONOMIC WEALTH OWES MUCH TO ALLOCATING PRODUCTION WHERE IT CAN BE ACHIEVED EFFICIENTLY AND IN OUR MANEUVERING OTHERS INTO SELLING US THEIR GOODS ECONOMICALLY. WITNESS, AS WITH OPEC, HOW WE FARE WHEN THINGS GO THE OTHER WAY.CATTO
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Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3541344
Secure: OPEN
Status: NATIVE
Subject: STATUS OF THE GATT SUMMARY. GATT IS THE UNDERPINNING OF MUCH OF WORLD TRADE. DESPITE A NUMBER OF STRAINS AND SHORTCOMINGS, IT I
TAGS: ETRD, PORG, US, GATT
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d30e61d3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
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